

EXHIBIT A

DIUC SUBMISSION IN SUPPORT OF
REQUEST FOR REPARATIONS
May 17, 2021

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-346-WS

IN RE:

Application of Daufuskie Island Utility
Company, Inc. for Approval of an
Increase for Water and Sewer Rates,
Terms and Conditions.

AFFIDAVIT OF
JOHN F. GUASTELLA

Personally appeared before me John F. Guastella, who being duly sworn, testifies as follows:

1. My name is John F. Guastella.
2. I offer this Affidavit as testimony, under oath and under penalty of perjury, stating and affirming that I have personal knowledge of the facts set forth herein, that I am competent to testify to the matters set forth herein, and that all statements included herein are truthful and accurate.
3. I am President of Guastella Associates, LLC ("GA").
4. GA is the manager of Daufuskie Island Utility Company, Inc. ("DIUC").
5. GA has been the manager of DIUC since July 9, 2008. I have served as the President of GA throughout this period and I have been personally involved the day-to-day operations as well as the management activities and decisions of DIUC.
6. In addition to my work with DIUC, I provide consulting service to utilities around the country with respect to rate setting, valuation and appraisals, and utility management. In my career I have worked with utilities in some 30 states and have been qualified to testify as an expert in 26 states.
7. I worked on the original Application and associated paperwork that initiated this proceeding and I continue to be involved with the proceeding on behalf of DIUC.

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8. In conjunction with the first hearing in this matter, I prefiled direct and rebuttal testimony and testified live at the hearing. On rehearing following the first appeal prefiled direct and rebuttal testimony and again testified live at the rehearing. Following the second appeal I prepared and prefiled direct testimony for consideration in conjunction with the second rehearing.
9. I understand this Affidavit will be filed with the Commission in conjunction with DIUC's Submission in Support of Reparations, which I had an opportunity to review prior to its filing.
10. As the President of GA, DIUC's manager, I am familiar with every aspect of the Utility, including its books, records, finances, assets, and liabilities.
11. Commission Order 2015-846 purported to provide DIUC an ROE of 9.28% and Order 2018-68 purported to provide DIUC an ROE of 9.31%; however, neither Order produced the ROE indicated because the Orders' calculations did not include all actual operating costs of the Utility.
12. It is not lawful for a utility regulatory commission to refuse rate relief in an amount adequate to provide a utility with an opportunity to pay actual costs and to earn a reasonable return, or deny recovery of specific utility investments.
13. As explained in DIUC's Submission in Support of Reparations and as is demonstrated by the record of proceedings and filings to date in Docket 2014-346-WS and in South Carolina Supreme Court Appellate Cases 2016-000652 and 2018-001107, the rates permitted by Commission Orders 2015-846 and 2018-68 were constitutionally insufficient and, as such, the reparations now requested by DIUC are necessary to remedy violation of DIUC's federal and state constitutional rights.
14. I have had ample opportunity to examine impact of the Commission's rate orders in this proceeding. The rates allowed by Order 2015-846 and Order 2018-68 did not generate rates sufficient for DIUC to earn a reasonable rate of return. The rates have negatively impacted the financial integrity of DIUC and failed to generate sufficient revenue for payment of all expenses, debt service, and capital costs of the business. Further, the rates failed to allow the owner of DIUC to earn a return upon equity commensurate with returns on investments in other enterprises having corresponding risks and the rates were not sufficient to assure confidence in the financial integrity of the utility, so as to maintain its credit and to attract capital.

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15. The deficient rates prior to March 1, 2021, violate the protections guaranteed to DIUC by the Fifth and Fourteenth Amendments to the United States Constitution and Article 1, Sections 3 and 13 of the South Carolina Constitution.
16. ORS has asserted that DIUC should not be allowed to collect the requested reparations and/or refunds because DIUC "chose not to put its requested (applied for) rates into effect under bond" during the second appeal and subsequent remand and that DIUC's "decision not to post a bond" bars DIUC from being made whole. Order Approving Settlement Agreement and Further Procedure at p. 5 (double emphasis added).
17. The problem with this assertion is that DIUC had no choice about obtaining additional bonds; because ORS had put DIUC through two years of litigation ORS effectively exhausted all reserves and DIUC could not obtain further bonds. I explained this in my Affidavit submitted in conjunction with DIUC's Motion to Reconsider Directives 2017-59-H and 2017-60-H with Affidavit of Guastella, October 16, 2017.
18. The reparations/restitution DIUC currently requests are intended to, and if awarded, in my opinion will, provide DIUC with the intended adjusted revenue of \$2,267,714. This is the revenue amount which the parties agreed to in the Settlement Agreement approved by the Commission by Order 2021-132.
19. The calculation of reparations is applicable to:
 - a. The water and sewer rates that were charged at the combined 88.5% increase that was effective for service from October 1, 2017, billed at the January 1, 2018 billing, until March 1, 2021, the effective date of the 108.9% rate increase, and
 - b. The reimbursement to DIUC for the credit/refunds given to customers with the January 1, 2018 billing for the difference between the 108.9% rates that the customers were charged with the July 1, 2016 billings until October 1, 2017, plus 12% interest, and the 88.5% increase that would have been charged.
20. The reparations for the rate differences will be accomplished by determining one-time surcharges to be billed to each individual customer that reflect the exact difference between the quarterly amount each paid under the 88.5% increase and the 108.9% each should have paid from October 1, 2017 until March 1, 2021. The differences by quarter

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for each customer will include simple annual interest at 9.311% until the effective date of the surcharge.

21. Each customer who was given a credit/refund with the January 1, 2018 billing, will be billed a separate one-time surcharge for reimbursement of the credit/refund each received, plus simple annual interest at 9.31% added from January 1, 2018 until the effective date of the surcharge.
22. In compliance with directions of the Commission, on March 30, 2021, DIUC sent to each affected customer (by U.S. Mail and/or by electronic mail to those customers who have agreed to receive notice by electronic mail) a copy of the updated notice and schedules. A certification of that mailing was filed in this docket. The filed certification includes a copy of the updated notice and schedules.
23. I prepared and am submitting herewith, as *Exhibit B, Remediation / Reparation Schedule (May 17, 2021)* to further illustrate and explain how DIUC proposes to recoup the lost revenues that it should have been able to charge.

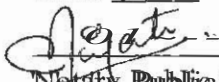
FURTHER, AFFIANT SAYETH NOT.



John F. Guastella

SWORN TO AND SUBSCRIBED BEFORE ME

THIS 17 DAY OF May, 2021



Notary Public for the State of Florida

My commission expires Nov 9, 2024.

